BUSINESS INSIGHTS

# 2026 Hong Kong Residential Market Outlook

CBRE | Valuation & Advisory Services
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Hong Kong's residential property market is entering a phase of renewed confidence and gradual recovery. After three consecutive years of price declines, clear signs of bottoming out are emerging, signaling stronger buyer confidence and improving fundamentals. The combination of easing borrowing costs, robust equity market performance, and sustained government policy support has created a favorable environment for buyers and investors.

With the one-month HIBOR stabilizing around 3.07% in December 2025 and transaction costs significantly reduced for homes priced at or below HK$4 million, affordability has improved, and sentiment has strengthened. Developers are accelerating primary launches, while rental yields remain attractive, making residential property a compelling asset class.

In 2025, home prices have risen 2.8% as of November 2025, in line with our forecast of 0–5%; while rents have increased by 4.3%, matching our projections of approximately 5% growth.

1-month HIBOR (Dec 2025)

~2.93-3.07%

Private home price index (Nov 2025)

297.3

▲ 0.9% m-o-m

▲ 1.9% y-o-y

▲ 2.8% y-t-d

Private home rental index (Nov 2025)

200.7

▲ 0.2% m-o-m

▲ 4.6% y-o-y

▲ 4.3% y-t-d

## Backdrop

Hong Kong's residential market extended its recovery in Q4 2025, with home prices maintaining an upward trajectory since April. In November, the private home price index rose to 297.3, up 0.92% month-on-month and marking a year-on-year gain of 1.99%. This three-month streak of positive growth following earlier declines provides clear evidence of market bottoming out, signaling renewed buyer confidence and strengthening fundamentals. The market's recovery is underpinned by several structural and cyclical factors:

1. Borrowing costs have declined as the HKMA lowered the Base Rate following three Fed rate cuts in 2025—in June, September, and December, each by 25 basis points—boosting buyer confidence and improving affordability. Residential mortgage loans in negative equity already reached its peak in 2025 and declining—The estimated number of RMLs in negative equity was 31,449 cases at end-September 2025, as compared to 37,806 cases at end-June 2025, a drop of 16.8%. This monetary easing coincides with a strong equity market, creating a wealth effect that encourages property investment.

2. Government policy has played a critical role in stimulating demand, particularly through the removal of restrictive stamp duties in early 2024 and the subsequent adjustment of Ad Valorem Stamp Duty bands in 2025. These measures have significantly lowered transaction costs for entry-level buyers and upgraders, reinforcing positive sentiment. Additionally, government initiatives to attract talent and students have sustained both price and rental growth, adding depth to demand fundamentals.

3. Developers have responded by accelerating primary launches, particularly in high-demand areas such as Kai Tak, where brisk absorption and rising price points reflect improving risk appetite.

## Key takeaways

### 1. MARKET BOTTOMING OUT WITH DUAL SUPPORT FROM PRICES AND RENTS

The market is demonstrating clear signs of bottoming out after dropping for three consecutive years, supported by simultaneous increases in both prices and rents. This dual momentum signals a recovery that is gaining traction across segments. Primary sales have outperformed secondary transactions, as developers actively clear inventory through aggressive marketing and flexible payment schemes. Although unsold stock remains significant, absorption rates have improved markedly, reducing the risk of prolonged oversupply.

### 2. STRONG DEMAND FROM THREE COHORTS

The market has shown stronger demand with end-users and investors returning. Overall, demand is being driven by three distinct cohorts:

i) End-users are returning to the market, buoyed by improved mortgage terms and reduced transaction costs, particularly in the sub-HK$4 million segment where volumes have rebounded sharply following the Ad Valorem Stamp Duty adjustment. There also more end users switching from renting to owning a property due to the negative carry effect.

ii) Upgraders are also active, taking advantage of narrower price gaps between small and large flats and leveraging developer incentives such as cash rebates and mortgage partnerships to transition into larger family units while prices remain below previous peaks.

iii) Investors are increasingly attracted to residential property as rental yields in selective new builds are higher than other asset types, offering a compelling alternative to time deposits in a low-interest environment.

## 3. LUXURY & ULTRA-LUXURY SEGMENT REMAIN RESILIENT

The luxury and ultra-luxury segments have demonstrated resilience with money inflow into luxury segment. Despite isolated distressed disposals (the market has digested a lot of large ticket distressed residential sales over the last 2 years), trophy assets priced above HK$300 million continue to set record benchmarks, underscoring the enduring appeal of prime properties.

For instance, popular new private developments, such as Kerry Properties' Mont Verra in Beacon Hill and The Legacy in Mid-levels West by Henderson Land and NWD, rank among the most premium projects in the market, with unit prices reaching as high as HK$50,000 to HK$70,000 per square foot. Supply constraints in traditional luxury areas limit the likelihood of broad-based price reductions, ensuring stability at the top end of the market.

## 4. INVENTORY PEAKING

Developers have maintained steady absorption of new units, with approximately 1,600 to 2,000 primary transactions recorded each month since April. As a result, the number of unsold units from developers peaked in 2025 and has begun to decline, albeit gradually. According to the Housing Bureau, total unsold inventory stood at around 25,000 units as of Q3 2025. We estimate that by the end of 2026, this figure will fall below 20,000 units. Looking ahead, as inventory levels decrease by several thousand units, developers are likely to scale back discount offers, which will play a critical role in stabilizing prices and supporting a steady upward trend.

## 5. REVIVAL OF RESIDENTIAL LAND SALES

Recent land sales have demonstrated a notable shift in market sentiment, with developers regaining confidence and becoming active in land acquisition. Accommodation values (A.V.) in transactions such as those in Hoi Chu Road site in Tuen Mun (approx.HK$3,850 per sq.ft. A.V.) and Texaco Road site in Tsuen Wan (approx. HK$5,692 per sq.ft. A.V.) have exceeded market expectations, signalling renewed optimism. Based on these trends, we believe A.V. has already reached its bottom.

Looking ahead to the 2026/27 Government Land Sale Program, we recommend that the government to continue focus on residential sites for sale. This approach would not only help address housing demand but also generate substantial revenue to ease the fiscal deficit.

For developers, this is an opportune moment to strengthen their land banks. With prices stabilizing and confidence returning, proactive acquisitions will position them well for future growth and market recovery.

## CBRE's 2026 Forecast

While global interest rate volatility and localized oversupply remain potential headwinds, several catalysts could drive further upside for the residential market. Sustained strength in capital markets, continued policy support, and improving employment metrics are key factors supporting this outlook. The unemployment rate has already edged down to 3.9%, signaling economic resilience that could further bolster housing demand.

We anticipate a "Little Spring" effect around Chinese New Year, with transaction activity accelerating as buyers take advantage of favorable conditions. For the full year 2026, we expect growth to outpace 2025, with price growth of 3–5% is anticipated across mid-age buildings and new projects, while older stock will likely see modest gains of approximately 1%.

For FY2025, transaction volumes are expected to reach approximately 64,000 units, broadly in line with our last year's projection of 60,000. In 2026, we anticipate a further year-on-year increase of about 10%, bringing total transactions to between 65,000 and 70,000 units. Primary sales are projected to exceed 20,000 units, with an optimistic monthly average of more than 2,000 units. Meanwhile, secondary sales should account for over 45,000 units, averaging more than 3,500 units per month.

Rental levels, already at record highs, are expected to continue rising in 2026, albeit at a slower pace than residential prices, with growth of around 2–3%. This will sustain attractive yields for investors.

Price growth

▲3-5%

Rental levels

▲2-3%

Primary sales

> 20K units

Secondary sales

> 45k units

## CBRE's 2026 Forecast - Summary

| Segment | Our forecast | Drivers |
|---|---|---|
| Overall residential market | +3–5% price growth | Easing rates, policy relief, rental strength, developer clearance momentum |
| Older bldgs (45+ yrs) | ~+1% price growth | Price sensitivity, maintenance costs, limited lending appetite |
| Mid-age bldgs (20+ yrs) | +3–5% price growth | Balanced affordability, established estates and locations |
| New residential projects | +3–5% price growth | Amenities, transport adjacency, rental yields |
| Residential easing market | +2-3% rental growth atop record levels | Talent inflows; marginal rate cuts; constrained vacancy in popular estates |
| Transaction volume | Total transaction volume +10% compared to 2025 | Positive sentiment and sales momentum. Forecast total volume reaching 62,000 units in 2025, hence around 65,000-70,000 units in 2026 |

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